UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

UNITED STATES OF AMERICA, Plaintiff, — v. — NARCO FREEDOM, INC., Defendant.	14 Civ. 8593 (JGK)

DECLARATION OF JAY DEUTCHMAN

I, Jay Deutchman, pursuant to 28 U.S.C. § 1746, declare as follows:

1. I am an investor in real estate and the principal of Real Estate Rehab, Inc. I have been investing in real estate since 1998 or 1999. I also have worked as a contractor, specifically overseeing the renovation of buildings for use as residences or commercial facilities. I currently am the managing member of a number of entities that own real estate properties that are leased by Narco Freedom, Inc. ("Narco Freedom").

2. I am familiar with the facts set forth herein based upon my personal knowledge.

3. I first became familiar with Narco Freedom through my work as a contractor. I provided contracting services in the late 1990's for a number of the buildings in which Narco Freedom opened outpatient facilities.

4. Through this process, I became friendly with the C.E.O. of Narco Freedom at the time, Alan Brand. I did some contracting work at Mr. Brand's house and starting in or around 1998, he and I would meet frequently for lunch.

5. Around 2001, Mr. Brand started to talk about the idea of sober housing at our lunches. He expressed an interest in opening up sober houses in order to drive more business to

his outpatient programs. I understood a sober house to be a place where a person in an outpatient drug rehabilitation program could live while attending treatment.

6. As I understood it from Mr. Brand's description, operating sober housing was a good way to increase the number of patients who enrolled in outpatient programs, and to keep those patients. This was particularly true for individuals who were in a program to become drug-free. Unlike a methadone program, where patients would continue to attend the program to obtain their methadone, a drug-free program did not offer an incentive to cause patients to enroll or to continue attending. Sober housing would provide that incentive for Narco Freedom.

7. In order for this model to work, according to Mr. Brand, Narco Freedom would require that all residents in its sober houses attend outpatient programs at Narco Freedom.

8. At the time, I was looking for additional real estate investment opportunities. Mr. Brand and I agreed that I would purchase a building and Narco Freedom would lease it for the purpose of operating a sober house.

9. I purchased the first building for Narco Freedom, which was at 224 East Tremont Avenue in the Bronx, in 2002. Narco Freedom signed a lease for that building. The lease was a "triple-net" lease, meaning that in addition to the rent, Narco Freedom as tenant is responsible for taxes, insurance, utilities (including water), and maintenance (other than structural repairs).

10. Mr. Brand approved the building at 224 East Tremont Avenue for use as a Narco Freedom sober house before I completed the purchase.

11. Thereafter, between 2002 and 2013, I continued to purchase buildings that Narco Freedom would lease in order to open more sober houses. The houses were known as "Freedom Houses."

12. For each building, I formed a Limited Liability Company ("LLC") that purchased and owned the building; I was the managing member of each of these LLCs.

13. In each instance, either Mr. Brand or his director of housing would approve the building for use by Narco Freedom before I completed the purchase. Often, Narco Freedom would sign the lease before the LLC closed on the purchase.

14. Each of the leases that Narco Freedom signed with an LLC for which I was managing member was the same form of "triple-net" lease used for the building at 224 East Tremont Avenue.

15. At one time, LLCs that I created and for which I was the managing member owned 15 buildings leased to Narco Freedom for sober houses. I was not the only owner of buildings used as Freedom Houses, but I believe that I owned more than any other individual.

16. During that time period, Mr. Brand and I were meeting for lunch as often as three times per week. Mr. Brand shared with me the formula that he used to determine whether opening a new Freedom House was a good investment. The formula was that for each Freedom House resident, Narco Freedom could expect to receive $215 per month in rent money from the New York City Human Resources Administration ("HRA"), and approximately $84 in Medicaid funds for each visit to a Narco Freedom outpatient program, with an average of 3.5 visits per week.

17. I used the formula above that Mr. Brand shared with me when I was determining whether to purchase a building for use as a Narco Freedom sober house. I would factor in the number of residents that a building had the capacity to house, to calculate the total amount that Narco Freedom would receive for the residents in that building each month. I knew that Narco Freedom would not want to sign a lease on a building unless the total monthly amount it was receiving from that building's residents, both from HRA and Medicaid, exceeded the amount of its rent and costs.

18. I also introduced Mr. Brand to Donna DeCicco around 2004 or 2005, and suggested that she could help to market the Freedom Houses to ensure that they were filled with residents. Upon my recommendation, Mr. Brand hired Ms. DeCicco to market and fill the Freedom Houses. To my knowledge, Ms. DeCicco continues to perform this function today.

19. From the time that Narco Freedom began operating Freedom Houses, I have kept track of demand for beds in those houses. When the most recently opened house was being consistently filled, I would approach Mr. Brand about opening a new house.

20. It is my understanding that demand for the Freedom Houses has been consistently high, with most houses operating at or near full capacity a majority of the time.

21. Some of the LLCs for which I am managing member have sold the buildings in which Freedom Houses are located, and two of those Freedom Houses closed following Hurricane Sandy, but I am still managing member for LLCs that own eight of the buildings used by Narco Freedom as Freedom Houses, consisting of Freedom Houses 1, 2, 4, 5, 6, 8, 11, and 19 on the document attached hereto as Exhibit A. I also own five buildings that are used by Narco Freedom for other purposes.

22. In approximately 2006, Mr. Brand told me that he would like for me to contribute to "staffing" expenses, due to all of the business that Narco Freedom was giving to my entities. I agreed to do so. From that time until March of 2014, I paid $13,300 per month to one of four entities that Mr. Brand specified. I provided this money to Mr. Brand by check, when we would meet for lunch. I recently pleaded guilty to criminal charges in state court based upon this conduct.

I declare under penalty of perjury that the forgoing statements are true and correct to the best of my knowledge and belief.

Dated: November 24, 2014
New York, New York

Jay Deutchman